

Minutes Of The Board Of Trustees

City Of Cincinnati

Retirement System

June 4, 2004

The Chairperson called the meeting to order at 1:30 p.m. with the following members present:

V. Daniel Radford, Chairperson
William Moller, Secretary
Ely Ryder
John Bowling
Brian Pickering
Joe Harrison
Michael Rachford
Edwin Volpe

Members Absent

Charlie Luken, Mayor
Valerie Lemmie, City Manager
John Cranley

Mr. Radford called for a motion to approve the minutes of the May 6, 2004 Board Meeting. Mr. Pickering questioned one item in the minutes that were prepared for the May Board meeting. The minutes indicate that a request from Mr. Jack Rennekamp to permit him to name a domestic partner as his designated beneficiary would be taken under advisement by the Board. Mr. Pickering indicated that he thought the Board referred Mr. Rennekamp to City Council, and Mr. Ryder agreed that any actions to revise the rules on domestic partner issues would have to come from City Council. Mr. Radford also indicated that this would be an issue for City Council, but he thought that permitting domestic partners as designated beneficiaries would have little financial impact on the fund. Mr. Radford suggested that the Board forward Mr. Rennekamp's request to City Council. Mr. Radford also indicated that if requested by City Council, the Board should obtain a legal opinion from the Law Department as well as a cost estimate from the actuary.

Mr. Pickering commented that Mr. John Paddock, a recently approved retiree, was an employee of Cincinnati Water Works, not M.S.D. as indicated in the minutes.

Mr. Moller motioned that the minutes be amended as indicated and that the Board forward Mr. Rennekamp's request to City Council as recommended by Mr. Radford. Mr. Pickering seconded the motion and the motion passed unanimously.

BENEFITS COMMITTEE

Mr. Harrison, Chairman of the Benefits Committee reported that the Committee met on May 27, 2004. Mr. Harrison gave the following report:

1. Application for Ordinary Retirement June 1, 2004: Total – 21

No.	NAME	DEPARTMENT
32506	Steven Cohn	RCC
37970	Thomas Koch	Enterprise Services
39476	Vicki Brown	Buildings & Inspections
40442	Janet Gaines	University Hospital
40522	Kathleen Holzderber	Community Development
40695	Cletus Schnieders	University of Cincinnati
40715	Arthur Kirksey Jr.	Water Works
40730	Frank Prouty	Law
40787	Harriett Jackson	University Hospital
40800	Patricia Williamson	Fire
40832	Vincent Malveaux	Water Works
40901	Henry Wallace	Water Works
40910	Stanford Jackson	Water Works
40916	Preston Adams	Water Works
43297	William Hermes	MSD
43730	Michael Tracy	Buildings & Inspections
44500	Carolyn Thomas	University Hospital
45477	Alfred Wilson	Water Works
48232	Florence Gilmore	Citizens' Complaint Authority
50734	Ruth Wells	Police
56979	Norma Reddington	Water Works

2. Application for Retired Members Deaths: Total – 13

4. Application for Disability Retirement: Total – 3

NO.	NAME	DEPARTMENT
41076	Barbara Young	RCC
50806	Valerie Bryant	Water Works
52343	Donna Rockey	Police

Mr. Harrison reported on the Committee's continuing review of the disability retirement process.

Mr. Volpe questioned the legal authority of the Board to pick certain individuals for re-evaluation of their disability retirements. Mr. Harrison indicated that the Benefits

Committee has requested a legal opinion on this issue and are now waiting on a response. Mr. Moller commented that he thinks the Board has the authority to re-evaluate disability retirements in cases where the medical prognosis indicates that individual's medical condition may improve. Mr. Rachford commented that having the authority to re-evaluate employees provides the Board with some flexibility when making the decision on whether or not to approve a request for disability retirement. He suggested that without this authority, the Board may be inclined to disapprove more disability retirement requests, especially when they are not considered full and permanent disabilities.

Mr. Harrison made a motion to approve the report of the Benefits Committee. The motion was seconded by Mr. Bowling and carried by the Board. .

INVESTMENT COMMITTEE

Mr. Moller reported that the Investment Committee met on May 7, 2004 at 1:30 in Committee Room B. At that meeting, the Investment Consultant presented the performance report for the first quarter of 2004. Mr. Moller reported that the total fund earned 2.43% in the first quarter and 27.49% over the last one-year period. Mr. Moller also indicated that the Committee discussed watch list actions that should be taken against various investment managers, but the Committee could not take any action, as there were not enough members present for a quorum. Mr. Moller commented that the watch list actions will be considered at the next Investment Committee meeting.

Mr. Moller also reported that the Committee directed the Investment Consultant and Retirement staff to begin the process for a small/mid-cap growth manager search. The search would include both active style and passive managers. Also, the Committee approved an ownership restructuring of PanAgora Asset Management, but directed the retirement staff to bring in PanAgora to discuss the restructuring. (The staff indicated that PanAgora will be attending the August 6, 2004 Committee meeting).

SECRETARY'S REPORT

Mr. Moller reported that as of April 30, the value of fund assets had decreased 0.72% year-to-date, but had an increase of more than 12 % over the last one-year period. The asset allocation as of April 30, 2004 was 51.6% domestic equity, 13.6% international equity, 33.9% fixed income, and 0.9% alternative assets/treasury cash.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 59
2. Resolution for Return of Contributions & Death Benefits– Total: 44
Amount: \$178,350.91
3. Resolution for Loans to Members – Total: 36 – Amount: \$360,539.57
4. Report on Deaths of Pensioned Members – Total: 25
5. Report on Military Service Credit prior to Membership – Total: 2

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
Paul T. Hogya, MD – Payment for disability examinations	\$2,625.00
Parman Group Inc. – Vocational reviews for disability applicants	\$700.00
Independent Medical Specialist Exams – Disability Exam for T. Tenkotte	\$550.00
City of Cincinnati – Community Technology Services – for telephone services for May 2004	\$363.81
City of Cincinnati – Division of Stores, Billing for Stores items for May 2004	\$9.56
City of Cincinnati – Printing Services – Billing for Postage & Printing Services for May 2004	\$2,247.68
ABS Business Products Inc. – Monthly rental base rate for copier	\$238.50
Michael Rachford – Reimb. For conference expenses	\$1,485.76
Accordia – Fiduciary Liability Premium	\$41,977.00
Mae Consulting Inc.- Professional Services Rendered	\$2,304.00
Joe Harrison, Sr. – Reimb. For conference expenses	\$390.06
Levi Ray & Shoup Inc. – Software Maintenance & Support	\$125,879.25
Mae Consulting Inc. – Professional Services	\$920.00
Business Information Solutions Inc. – Storage of CRS files	\$51.48
Squire Sanders & Dempsey LLP – Professional Services Rendered	\$6,297.98
Parman Group Inc. – Vocational reviews for disability applicants	\$2,156.85
Mellon Consultants Inc. – Professional Services Rendered	\$2,897.00
All Star Personnel Services – Temporary Personnel Services	\$858.84

The Secretary reported that at the close of business May 31, 2004, there was in the Treasury to the credit of the Retirement System the amount of \$3,994,779.03.

Asset Valuation:

- December 31, 2003: \$2.29 billion
- March 31, 2004: \$2.32 billion
- YTD Increase (Decrease): 1.25%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 51.4% (50%)
- International: 13.7% (13.5%)
- Fixed Income: 33.8% (33.5%)
- Alternative Assets/Treasury Cash: 1.1% (3%)

PENDING BUSINESS

Mr. Fink reported that the first of a quarterly member newsletter was recently mailed out, and Mr. Fink commented that he would appreciate any feedback on the newsletter from the Board members.

Mr. Pickering agreed that due to the time constraints for this Board meeting, the motion he introduced at the March Board meeting could continue to be held until the July meeting.

ELECTIONS COMMITTEE

Mr. Rachford reported that ballots for electing an employee representative were opened and counted on June 3, 2004. Mr. Rachford reported that there were 2,016 ballots cast and 1,958 votes for the nominated candidates. The elections committee ruled 48 ballots invalid and there were 10 write-in votes.

The results of the voting were as follows:

Marijane Klug	891 votes
Donna McKinney	734 votes
Joe Harrison, Jr.	229 votes
Michael Partridge	111 votes

Mr. Rachford indicated that the result of the election was not yet final as there may still be some valid ballots delivered via U.S. mail. The envelopes containing the ballot have to be postmarked by June 1, 2004 to be considered valid.

ACTUARY PRESENTATION

As requested by the Board at the May meeting, Mr. Gary Dickson of Mercer Human Resource Consulting was again on hand to discuss in greater detail several actions that could be taken by the Board to improve the long-term financial health of the retirement system.

At the conclusion of Mr. Dickson's presentation, Mr. Radford commented that the Board is facing some difficult choices and that it is unlikely that all Board members would agree on the actions that should be taken. However, he thought it was important for the Board to reach a consensus on the actions that should be taken and then prepare a unified request to City Council for approval of the Board recommendations.

At the conclusion of Mr. Dickson's presentation, Mr. Ryder distributed a list of 12 actions that could be taken by the Board to achieve full funding of pension obligations while reducing the employer's contribution rate. Mr. Ryder's list included many of the considerations presented by Mr. Dickson as well as some additional items that could be considered by the Board. No action was taken on Mr. Ryder's recommendations.

The Board is waiting on two legal opinions requested at the May Board meeting regarding the health benefit packages for retirees. It is expected that these legal opinions will be received in approximately one week. The Board will continue to discuss the alternatives presented by Mr. Dickson at the July Board meeting.

PROXY APPOINTMENT

Mr. Moller distributed a memo from City Manager Valerie A. Lemmie, which officially appoints Rashad Young, Assistant City Manager, as her proxy to the Board of Trustees.

ADJOURNMENT

Upon request of the Chairman's motion to adjourn, the meeting adjourned at 3:10 p.m.